Illinois Century Network

E-Rate July 2014 Report and Order Summary

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1st October 2014   v1.1

Table of Contents

- Background

- Key Points

- Rule Summary

- Timeline Summary

- Further Information

- Q & A

- A new set of E-rate rules released on July 23rd 2014 – called the E-rate Report and Order.

- Available from USAC website (www.usac.org)

- The rules impact funding year 2015, i.e. for funded services July 1st 2015 to June 30th 2016.

- Significant number of rule changes and additional funding available

- Key and important rule changes that impact you

- Priority 1 and Priority 2 naming changed to Category 1 and Category 2

- Focus is on broadband for internal connections. Voice is being phased out and non-broadband services eliminated

- An additional $2B made available for the next two funding years to support "internal connections" and no technology plan is required.

- All category 1 requests will be funded, with funds being shifted from the additional $2B if necessary

- Key rules changes for Category 2 for applicants that apply in funding year 2015 and / or funding year 2016

- Three goals in the E-rate report and order
- Report and Order organization
  - Goals, targets and measures
  - Rule changes applicable to each goal

- **Goal 1: Ensuring Affordable Access to High Speed Broadband sufficient to support digital learning in schools and robust connectivity for all libraries**

- **Goal 2: Maximizing the Cost Effectiveness of Spending for E-rate Supported Purchases**

- **Goal 3: Making the E-rate Application Process and other E-rate Processes Fast, Simple and Efficient**

- **Goal 1: Ensuring Affordable Access to High Speed Broadband in Schools and Libraries**

  - $1B target for category two services
    - A $1B target is established in annual support for internal connections – category 2
    - If funding for category 1 services exceeds demand, funds shifted from category 2 to category 1. Hence – all category 1 services will be funded.
    - Excess category 1 funds can support category 2 in a funding year
    - The phase down and elimination of support for non-broadband services will help to meet the $1B target in funding years 2017 and beyond
    - Significantly more money available in funding years 2015 and 2016

  - Increasing the minimum contribution rate for category two services
    - From 10% to 15% i.e. the maximum subsidy is 85% - from 90%
    - Only applicable for category 2 services. Category 1 maximum subsidy stays at 90%
    - Discount matrix adjusted to account for this change

- **Goal 1: Ensuring Affordable Access to High Speed Broadband in Schools and Libraries**

  - Budgets for category 2 services
    - $150/student for schools and $2.30 per square foot for libraries (pre discount budgets) for schools and libraries seeking category 2 funding in funding years 2015 and 2016
    - Budgets are for a five year period
    - Pre-discount funding floor of $9,200 in category 2 support for each school or library over a five year period
    - Applicants required to seek support on a school by school or library by library basis
    - For applicants that receive category 2 support for funding years 2015 and/or 2016, this rolling funding cycle of 5 years replaces the existing two-in-five rule
    - Priority 2 funding received by applicants in prior years has no bearing on category 2 eligibility
    - Absent FCC action, the two-in-five rule re-instated for applicants in funding year 2017

- **Goal 1: Ensuring Affordable Access to High Speed Broadband in Schools and Libraries**

  o Services eligible for category two support
    - Internal connections
    - Basic maintenance
    - Managed Wi-Fi

    - For internal connections support is limited to those components delivering broadband to students and library patrons, support eliminated for other components not delivering broadband
    - Caching functionality eligible for support in funding years 2015 and 2016
    - In funding years 2015 and 2016 basic maintenance services and managed Wi-Fi are eligible for category two support

- **Goal 1: Ensuring Affordable Access to High Speed Broadband in Schools and Libraries**

  - Applicants can seek support for category 2 non-recurring services on or after April 1st, three months prior to the start of the funding year on July 1st 2014

  - Note that (from paragraph 131, page 52 of the order) *"Absent Commission action, in funding year 2017 and in subsequent funding years, support for basic maintenance, managed internal broadband services and caching functionality, as an internal connection, will be available only to those applicants that received support in funding years 2015 and 2016 and are operating under a five-year applicant budget."*

- **Goal 1: Ensuring Affordable Access to High Speed Broadband in Schools and Libraries**

  - For category 1 rule changes relates to the phase down and ending of support for legacy services

  - Phasing down support for voice services
    - The order starts a phase down of support for voice services
    - Discount applicants receive for voice services will be reduced by 20 percentage points every funding year beginning in funding year 2015
    - This phase down will apply to all costs incurred for the provision of telephone services and circuit capacity dedicated to providing voice services including VoIP

  - Support eliminated for telephone features, outdated services and non-broadband services
    - Data plans and air cards for mobile devices will remain eligible for support only if a school or library can demonstrate that individual data plans are the most cost effective option

- **Goal 2: Maximizing the Cost Effectiveness of E-rate Spending**

  - Increasing Pricing Transparency
    - USAC to make publicly available on its website information regarding services and equipment purchased by schools and libraries

  - Encouraging Consortia and Bulk Purchasing
    - FCC may designate preferred master contracts for category two equipment, which will exempt FCC form 470 filing requirements

  - Offering the Lowest Corresponding Price
    - The LCP rule prohibits an E-rate provider from charging E-rate applicants a price higher than the lowest price that provider charges to non-residential customers who are similarly situated to a particular school or library
    - If the price charged is higher than the LCP, the provider is required to have demonstrably higher costs to serve a particular school or library

- **Goal 3: Making the E-rate Administration and Application Processes Fast, Simple and Efficient**

  - Streamlining the application process for multi-year contracts
  - Eliminating the technology plan requirements
  - Exempting certain commercially available high speed broadband services from competitive bidding
  - Easing the signed contract requirement
  - Requiring electronic filing of documents
  - Enabling direct connections between schools and libraries
  - Simplifying Discount Rate Calculations
    - Adopting district wide discount rates
    - Updating the definition of "Rural"
    - NSLP Community Eligibility Provision
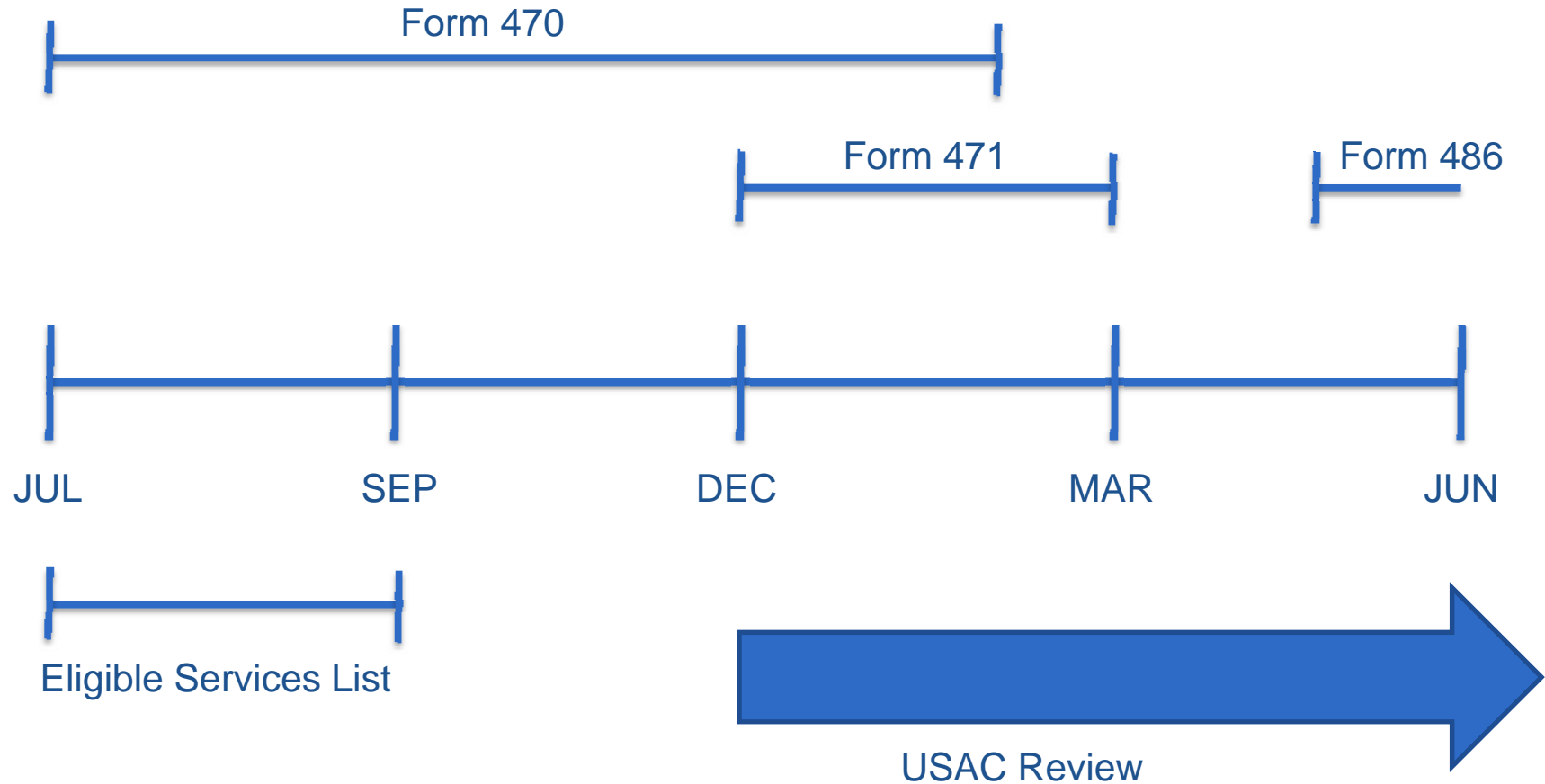   - Modifying the requirement for using school-wide income surveys

- **Goal 3: Making the E-rate Administration and Application Processes Fast, Simple and Efficient**

    - Simplifying the invoicing and disbursement processes
    - Extending E-rate document retention and inspection requirements
    - Tribal Consultation, training and outreach program
    - Requiring the filing of appeals with USAC

Form 470

Form 471

Form 486

JUL   SEP   DEC   MAR   JUN

Eligible Services List

USAC Review

- **http://www.usac.org/sl/tools/modernization-order/default.aspx**

Order Information

- E-rate Modernization Order 📄
- E-rate Modernization Order press release 📄
- E-rate Modernization Order quick fact sheet 📄
- E-rate Modernization Order summary 📄
- Draft Eligible Services List for FY2015 📄
- E-rate Modernization Order Public Notice DA 14-1177 📄
- E-rate Modernization Order Staff Report 📄
- E-rate Modernization Order Online Maps of Fiber Connectivity

Draft FCC Forms

- Draft FCC Form 470 and instructions 📄
- Draft FCC Form 471 and instructions 📄
- Federal Register notice of submission 📄

Relevant News Briefs

- Community Eligibility Provision (August 1, 2014 issue)
- Highlights of the E-rate Modernization Order (Special Edition, August 12, 2014)
- Changes coming for FY2014 (August 15, 2014 issue)
- E-rate Modernization Order published in Federal Register (August 22, 2014 issue)
- Category One and Category Two (September 5, 2014 issue)
- Category Two budgets (September 12, 2014 issue)
- Discount calculations (September 19, 2014 issue)

Agenda and Presentations

2014 Applicant Training Agenda 📄

Presentations

- Welcome and Meeting Overview PPT 📷 PDF 📄
- E-rate Modernization Order Highlights PPT 📷 PDF 📄
- Overview of FCC Forms 470 and 471 PPT 📷 PDF 📄
- Program Compliance Constants PPT 📷 PDF 📄
- Competitive Bidding and Contracts PPT 📷 PDF 📄
- Urban/Rural Lookup Tool Demo PPT 📷 PDF 📄
- Simplifying Discount Calculations PPT 📷 PDF 📄 (revised on F
- Setting Applicant Budgets PPT 📷 PDF 📄
- Eligible Services PPT 📷 PDF 📄

- Questions ?